

Message Text

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ACTION EUR-12

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C O N F I D E N T I A L OTTAWA 4177

E.O. 11652: GDS

TAGS: ETRD, ESTC, CU, CA

SUBJECT: LITTON SUB'S FURNITURE DEAL WITH CUBA

1. DEPARTMENT'S CONTINGENCY GUIDANCE OF DEC 26 ON SUBJECT MATTER APPEARS TO US TO BE SATISFACTORY LINE FOR TIME BEING. MATTER IS EFFECTIVELY BETWEEN PARENT COMPANY, LITTONG, AND ITS CANADIAN SUB, COLE, FOR THE PRESENT AT LEAST. IT WOULD BE UNSEEMLY AND IMPOLITIC FOR USG TO INTERJECT ITSELF MORE DIRECTLY INTO AFFAIR AT THIS MOMENT. TIME FOR ACTION MAY COME IF AND WHEN LITTON SUBMITS FORMAL APPLICATION.

2. PRES OF DEC 26 (MONTREAL GAZETTE REPORTS THAT INDUSTRY, COMMERCE & TTRADE (ITC) MINISTER GILLESPIE MET ON DEC 24 W.J. PHILLIPS, CANADIAN PRESIDENT OF COLE DIVISION OF LITTON BUSINESS EQUIPMENT LTD, AND ADVISED HIM, "TO TELL THE US PARENT COMPANY THAT IF THE US DIRECTORS OF COLE FEAR REPRISAL UNDER THE ENEMY TRADING ACT, THEY SHOULD BE FIRED AND REPLACED BY CANADIAN DIRECTORS. ALL COLE'S DIRECTORS ARE US CITIZENS AND RESIDENTS. ...PHILLIPS IS A CANADIAN, BUT HE IS NOT A DIRECTOR, NOR ARE MOST OF THE OTHER SENIOR OFFICERS DIRECTORS, GILLESPIE SAID. ...'WHAT I AM HOPING IS THAT AS A RESULT OF THE NOTE TO THE US ADMINISTRATION (MCKINNEY

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TO STABLER) AND THE STRONG VIEWS CONVEYED TO THE DIRECTORS

OF THE US PARENT, THAT THE US DIRECTORS WILL FIND IT
EXPEDIENT TO CHANGE THEIR VIEWS."

3. SENIOR ITC OFFICIAL CALLED DCM DEC 26 TO SAY HE HAD
BEEN WITH GILLESPIE IN REGINA WHEN MINISTER HAD FIRST
LEARNED OF PROPOSED FURNITURE SALE TO CUBA AND OF ITS
BEING ABORTED. OFFICIAL SAID GILLESPIE WAS JUBILANT OVER
REPORT, WHICH HE REPRESENTED AS PLAYING INTO HANDS OF
NATIONALISTS IN GOVERNMENT. OFFICIAL SAID AFFAIR COULD
NOT HAVE BEEN BETTER TIME NOR HANDIER FOR THOSE
NATIONALISTS TO DRAMATIZE THEIR CONCERN OF "US IMPERIALISM"
AND HASTEN PENDING LEGISLATION TO COMPEL SUBS OF FOREIGN
FIRMS TO OBSERVE CANADA'S NATIONAL POLICIES. HE SAID
BEST US OFFICIAL REACTION HE COULD ENVISAGE WOULD BE SOME
INDICATION FROM WASHINGTON THAT TRADING WITH THE ENEMY ACT
WOULD BE MODIFIED OR ABROGATED. HE NOTED WITH GUARDED
OPTIMISM YEAR-END NEWSWEEK INTERVIEW OF SECRETARY'S THAT
THERE WOULD BE EVOLUTION IN CUBA POLICY IN 1975.

4. OFFICIAL WENT ON TO SAY HE WAS DISTRESSED OVER THIS
KIND OF EPISODE JUST AT TIME NATIONALISTS IN GOVERNMENT
WERE BEGINNING TO SUFFER LOSS OF MOMENTUM TO OTHERS WHO
FELT BILATERAL COOPERATION WITH USG SO NECESSARY IN
LIGHT OF RECESSION, INVESTMENT AND MONETARY PROBLEMS,
TRADE NEGOTIATIONS, AND SO ON. EVEN EMR MINISTER
MACDONALD HAD BEEN MODERATING BELLIGERENT STAND.
BALANCE OF TWO FORCES WITHIN CABINET WAS SO DELICATE
AT BEST, THAT THIS DEVELOPMENT COULD ONLY BE SERIOUS
SETBACK FOR THOSE BELIEVING IN BASIC INTERDEPENDENCE.
EDITORIAL REACTION COAST TO COAST ONLY SUPPORTED
NATIONALISTS, AND LESSER LIGHTS LIKE SECSTATE FAULKNER
(CHARGED WITH PROBLEM OF TIME MAGAZINE) COULD TAKE
IMMEDIATE ENCOURAGEMENT TO PRESS THEIR EXTREME
NATIONALISM. COMMENT: THIS OPINION, AS INDICATED, WAS
VOLUNTEERED BY FRIENDLY ITC OFFICIAL WHO WE BELIEVE IS
SINCERE. FACT THAT US ACCOMMODATION ALONG LINES HE
RECOMMENDS, HOWEVER, WOULD NO DOUBT BE TRUMPETED BY
GILLESPIE AND FRIENDS AS ACHIEVEMENT SHOULD NOT SWAY
OUR JUDGEMENT AS TO BEST MANNER OF DEALING WITH MATTER.

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5. OFFICIAL SAID THAT "SMALL POTATO" ASPECT OF CASE
(OFFICE FURNITURE, AND ONLY IN AMOUNT OF \$500,000) ONLY
POINTED UP UNDERLYING MISFORTUNE THAT WE HAD BEEN UNABLE
TO COPE WITH PROBLEM OF FOREIGN SUBS SOONER. HE SPECU-
LATED THAT PERHAPS RUSSIANS HAD PUT UP CUBANS TO INSPIRE
OR ENCOURAGE THE DEAL. HE DID NOT SPECULATE THAT
GILLESPIE MIGHT HAVE BEEN INVOLVED AT EARLIER STAGE.

6. COMMENT: THIS ISSUE IS NO DOUBT HARBINGER OF MORE AND PERPHAS WORSE TO COME. GOC IS INCREASINGLY PREOCCUPIED WITH EXPANDING ITS TIES WITH CUBA, E.G.:

A. GILLESPIE ANNOUNCED AT HIS DECEMBER 13 ANNUAL LUNCHEON FOR COMMERCIAL DIPLOMATIC REPRESENTATIVES IN CANADA THAT HE WOULD BE LEADING TRADE MISSIONS TO CUBA (AND VENEZUELA), AMONG OTHER PLACES, IN THE NEW YEAR.

B. EXPORT DEVELOPMENT CORPORATION (EDC) ANNOUNCED DECEMBER 17 SIGNING OF FINANCING AGREEMENT TO SUPPORT SALE TO CUBA OF THREE 10,000 TON OIL TANKERS. EDC HAS AGREED TO LEND UP TO \$24 MILLION TO FINANCE 80 PERCENT OF SALE PRICE OF TANKERS FOR EMRESA MARITIMO PORTUARIA DE IMPORACION (MARPORT), HAVANA. EDC LOAN AGREEMENT SIGNED WITH BANCO NACIONAL DE CUBA, WHO IS BORROWER ON BEHALF OF MARPORT. FINANCING TO COVER CONSTRUCTION PERIOD OF VESSELS WILL BE PROVIDED BY BANK OF MONTREAL AND BANQUE CANADIENNE NATIONALE. REPAYMENT OF LOAN WOULD BE MADE IN 16 SEMI-ANNUAL INSTALLMENTS COMMENCING SIX MONTHS AFTER DELIVERY OF EACH TANKER. TANKERS TO BE BUILT BY MARINE INDUSTRIES LIMITED OF TRACY, QUEBEC, AND ARE SCHEDULED FOR DELIVERY JUNE AND DECEMBER, 1977 AND JUNE, 1978.

C. CBC RADIO NEWS DECEMBER 26 REPORTED EDC PRESIDENT HUGH AITKEN IN MEXICO CITY TO DISCUSS WITH CUBAN DEVELOPMENT AND FINANCIAL OFFICIALS CUBA'S DEVELOPMENT NEEDS DURING PERIOD 1976-80.

D. PROPOSED CIDA \$10 MILLION HIGHLY CONCESSIONAL
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LOAN PACAKAGE FOR CUBA (OTTAWA 4149, DE EMBER 23).

D. INCREASING CANADIAN TOURISM TO HAVANA (SEE OTTAWA 4138, DECEMBER 20 REPORTING POSSIBLE CANADIAN AVAIATION NEGOTIATIONS WITH CUBA.)

F. DISPATCH OF CANADIAN ATHLETIC TEAMS PRESENTLY IN CUBA FOR CONDITIONING AND TRAINING.

7. LITTON SUB'S FURNITURE DEAL WITH CUBA IS TAILOR-MADE FOR THOSE CANADIAN NATIONALISTS WHO FIND IN EXTRATERRITORIAL APPLICATION OF U.S. LAWS AND REGULATIONS A POPULAR VEHICLE FOR PRO-CANADIANISM AND, BAD NEWS FOR US, ANTI-AMERICANISM.
PORTER

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